

EXHIBIT 3

Transition Plan

TRANSITION PLAN

This Transition Plan represents the Debtors' current, good faith intentions with respect to their operation of the Leased Facilities during the Transition Period. Nothing herein is intended to modify in any way any of the Debtors' obligations under the law or any Lease Documents, or to create any enforceable rights in favor of any non-Debtor person or entity with respect to the implementation of this plan. The Debtors further reserve all rights to modify, suspend or terminate this plan as may be necessary in order to address any issues which might arise in these.

Between the date of filing their chapter 11 petitions and the date on which transfer of the operational control of the Leased Facilities to the Owner Lessors has been completed (which the court will be requested to cause to occur immediately after the receipt of all necessary regulatory approvals for such transfer) ("Transition Period"), Debtors will operate the Leased Facilities in accordance with prudent operating standards and as necessary to comply with applicable federal and state regulatory requirements.¹

Importation

Debtors will take those commercially reasonable actions required for importation of fuel from outside the United States, if any, including:

- (i) customs clearance of imported fuel; and
- (ii) providing information required for importation (such as Import Security Filing information) in compliance with regulatory requirements.

Energy Management

During the Transition Period, Debtors will:

Maintain status as NYISO Certified ICAP Supplier in compliance with NYISO requirements,² including, on a daily basis:

- (i) bidding Energy into the Day-Ahead Market;
- (ii) scheduling Bilateral Transactions, if any; and
- (iii) if applicable, declaring unavailable that portion of the Leased Facility's certified amount of Unforced Capacity ("UCAP") that is not available for dispatch.

Obtain fuel necessary to support NYISO energy and capacity bidding requirements.

Dispatch the Leased Facilities in compliance with directives of NYISO and/or Balancing Area Authority, as applicable.

(Because the costs of operating the Leased Facilities, including fuel, during the Transition Period will be for the benefit and account of the Owner Lessors, the Debtors reserve the right to seek to offset any such costs against revenues received from Leased Facility operations, with any shortfall for the benefit and account of the Owner Lessors.)

Operations

¹ This Transition Plan sets forth the principal actions to be taken by the Debtors in operating the Leased Facilities in accordance with prudent operating standards and as necessary to comply with all applicable federal and state regulatory requirements. However, this plan is not exhaustive of all of the actions the Debtors may be required to undertake so as to operate the Leased Facilities in that manner.

² After April 2012 NYISO rules will permit generators to elect not to certify as ICAP suppliers. While this would relieve the Debtors of having to follow the regulations imposed on ICAP suppliers, under certain circumstances such an election could result in a restriction on the amount of Unforced Capacity that Debtor could certify and sell in the future. This reduction in the amount of Unforced Capacity that could be sold would decrease the value of the Leased Facilities. In order to preserve the value of the Leased Facilities for the Owner Lessors, Debtors intend to continue to certify as an ICAP supplier, and will therefore remain subject to the applicable NYISO requirements.

During the Transition Period, Debtors will:

Make all state and federal filings regarding operation and/or output of the Leased Facilities in compliance with regulatory requirements, including filings required by:

- (i) EPA;
- (ii) FERC;
- (ii) NERC; and
- (iii) OSHA.

Maintain, renew, and replace those permits necessary for operation of the Leased Facilities (to the extent same may be done by an entity that is not the owner of a Leased Facility) in compliance with regulatory requirements, provided that Debtors will cooperate with the Owner Lessors in transferring all such permits to the Owner Lessors at the conclusion of the Transition Period.

Maintain, repair and test the Leased Facilities' pollution control and monitoring equipment in compliance with regulatory requirements.

Handle, store, transport and dispose of hazardous wastes generated during operation of the Leased Facilities in compliance with regulatory requirements.

Perform operational testing in compliance with regulatory requirements, including:

- (i) Facility emissions testing;
- (ii) Unit capacity and ancillary services output testing; and
- (iii) NERC standards certification testing.

Perform required employee training in compliance with regulatory requirements, including:

- (i) fire safety;
- (ii) hazardous materials release response; and
- (iii) confined space entry.

Facilitate on-site inspections by regulatory agencies.

Maintain all books and records for the Leased Facilities in compliance with regulatory requirements.

Obtain any necessary third party consents for the assignment of non affiliated contracts that are exclusively applicable to the Leased Facilities to the Owner Lessors.

Tax

During the Transition Period, Debtors will:

Timely file returns related to, and pay when due:

- (i) use taxes; and
- (ii) petroleum business taxes,

With any such tax obligation to be paid solely for the benefit and account of the Owner Lessors.